

## **CHAPTER 13-03-06 CREDIT UNION RESERVE FUNDS**

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### **13-03-06-01. Establishment of special reserve fund.**

1. All credit unions operating under a charter issued by the state of North Dakota shall be required to establish a special reserve fund whenever the reserve fund required by North Dakota Century Code section 6-06-21 is inadequate for past-due loans. Adequacy for past-due loans shall be computed in accordance with the formula in section 13-03-06-02. When the amounts calculated under section 13-03-06-02 exceed those required pursuant to North Dakota Century Code section 6-06-21, the reserves required by North Dakota Century Code section 6-06-21 shall be considered inadequate, and the excess shall be set aside in a special reserve fund.
2. All reserve funds shall be established and adjusted at the end of each quarter of the fiscal year. If the amount of special reserve carried forward from the previous quarter exceeds the amount of special reserve required for the current quarter, the excess may be returned to undivided profits. The commissioner of financial institutions may require a credit union to adjust its reserves more often, or at different times, than quarterly. The commissioner may also require a credit union to put aside additional reserves under the formula provided in section 13-03-06-03.
3. Upon application by a credit union to the state credit union board, and upon the showing of extraordinary hardship, the state credit union board may alter the reserve requirements as set forth in this chapter when, in its opinion, such an alteration is necessary or desirable.

**History:** Amended effective January 1, 1981; August 1, 1984; June 1, 2002.

**General Authority:** NDCC 6-01-04, 6-06-21.1

**Law Implemented:** NDCC 6-06-21.1

### **13-03-06-02. Calculation.**

1. **Installment notes.**
  - a. Current but less than sixty days - no reserve required.
  - b. Sixty days but less than six months - ten percent of total balance due.

- c. Six months but less than twelve months - fifty percent of total balance due.
- d. Twelve months and over - one hundred percent of total balance due.

**2. Single maturity notes.**

- a. Current but less than thirty days - no reserve required.
- b. Thirty days but less than six months - ten percent of total balance due.
- c. Six months but less than twelve months - fifty percent of total balance due.
- d. Twelve months - one hundred percent of total balance due.

**History:** Amended effective June 1, 1979; January 1, 1981.

**General Authority:** NDCC 6-01-04, 6-06-21.1

**Law Implemented:** NDCC 6-06-21.1

**13-03-06-03. Additional special reserves for classified loans.** The commissioner of financial institutions may require a credit union to put aside additional reserves on business and agricultural loans according to the following classification formula:

- 1. Substandard - no reserve required.
- 2. Doubtful - fifty percent of total balance due.
- 3. Loss - one hundred percent of total balance due.

**History:** Effective January 1, 1981; amended effective June 1, 2002.

**General Authority:** NDCC 6-01-04, 6-06-21.1

**Law Implemented:** NDCC 6-06-21.1

**13-03-06-04. Allowable investment for funds.**

- 1. Funds established pursuant to this chapter shall be invested in certificates of deposit in insured banks, the Bank of North Dakota, savings and loan associations, or the North Dakota central credit union; government securities; or the international credit union services government securities program.
- 2. A credit union required to keep reserves imposed by the federal reserve system's universal reserve requirements, and required to keep a special reserve as provided in this chapter, may satisfy its special reserve requirement in the same manner as it may satisfy its

federal reserve system reserve requirement, that being vault cash, an authorized passthrough account with a correspondent, or an account with a federal reserve bank.

**History:** Effective January 1, 1981; amended effective May 1, 1981.

**General Authority:** NDCC 6-01-04, 6-06-21.1

**Law Implemented:** NDCC 6-06-21.1